

improve sales and marketing of both wireline and wireless services to in-region customers. During the following year, SBC noticed that the relative performance of SBC's in-region cellular operations deteriorated as compared to SBC's out-of-region operations. SBC management concluded that combining the in-region wireless and wireline operations in the same corporate chain distracted the focus of the in-region wireless business. The decision was made in late 1997, therefore, to reverse the prior decision and to place all of SBC's wireless operations in the same business unit, that is, SBCW.

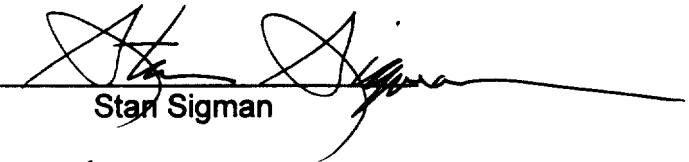
#### Decision Not To Pursue Local Exchange Entry Through Wireless

17. The experience in Rochester and the additional considerations set forth above led me to decide in the Summer of 1997 not to pursue local exchange entry in the other out-of-region areas, including Chicago, through our wireless operations. All efforts in Chicago and in the other out-of-region areas analyzing possible entry stopped at that time and have never been resumed. As the 1998 budget for the wireless operations of SBC was assembled in the summer and approved in the fall of 1997, funds for the deployment of local exchange service in out-of-region areas other than Rochester were not budgeted.

18. With respect to Rochester, I decided later in 1997 to take steps to reduce our exposure. To protect the goodwill in our brand name, we will, at least for now, continue to provide service to our current local exchange customers. We have,

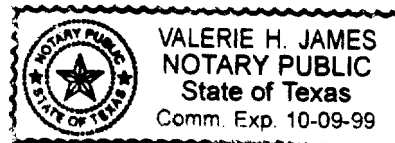
however, taken steps to minimize the likelihood of attracting any new customers. For example, we have stopped paying commissions to our employees and our sales agents for attracting local exchange customers. It is our experience that such a step effectively curtails marketing and sales activity and, consequently, new enrollments. We have also amended our local exchange tariff to provide that we will offer this service only to cellular customers.

19. The lessons we learned in Rochester and in our other studies are reflected in SBC's "National-Local" entry strategy. Even in markets in which SBC has out-of-region wireless operations (such as Boston and Washington), SBC's National-Local Strategy will not be implemented through the wireless platform. Wireless service may be included in packages offered to potential customers, but the local exchange and wireless businesses in these areas will be entirely different. They will have different management, assets, and employees. In my view, this confirms the correctness of my decision not to enter local exchange markets through the wireless platform.

  
Stan Sigman

Subscribed and sworn to before me this 20<sup>th</sup> day of July, 1998.

  
Valerie H. James  
Notary Public



Pursuant to 47 C.F.R. §§ 1.743(c), 1.913(c), 5.54(c), the preceding document is a copy of the original signed affidavit, which was filed as an attachment to Exhibit 2 to the Form 490 applying for the Commission's consent to transfer control of Part 22 licenses held by Detroit SMSA Limited Partnership from Ameritech Corporation to SBC Communications Inc. That Form 490 was filed concurrently with this application.



BEFORE THE FEDERAL COMMUNICATIONS COMMISSION

**AFFIDAVIT OF STEPHEN M. CARTER**

Stephen M. Carter, being of lawful age and duly sworn, hereby deposes and states:

**I. INTRODUCTION AND QUALIFICATIONS**

1. My name is Stephen M. Carter. Currently, I am President of SBC Telecommunications, Inc.'s Special Markets Group, a position I have held since May 1997. SBC Telecommunications, Inc. is a wholly owned subsidiary of SBC Communications Inc. In my position I am responsible for wholesale operations, including marketing, sales and operations for interexchange carriers and local wholesale carriers, as well as national accounts, operator services, and public communications for Southwestern Bell Telephone Company ("SWBT"), Pacific Bell, and Nevada Bell. I am also ultimately responsible for entering interconnection agreements with the wholesale customers of SBC's subsidiaries in compliance with Sections 251 and 252 of The Communications Act of 1934, as amended by the Telecommunications Act of 1996 (the "1996 Act," or "Act"). Part of my responsibilities have been to put in place the people and the resources necessary to meet the needs of the local wholesale market segments. Prior to my current position, I was in charge of all marketing, sales and operations for SWBT's inter-industry customers and national

account customers, as well as operator services and public communications in the five-state SWBT region (Texas, Arkansas, Kansas, Oklahoma, and Missouri).

2. I have been employed by SBC since 1987, when I became Managing Director of its newly created United Kingdom subsidiary, Southwestern Bell Telecom, Ltd. In 1993, I was appointed President and Chief Executive Officer of Southwestern Bell Telecom, Ltd. I have a Master's Degree from the Business School at the City of London University in England and am a member of the Chartered Institute of Management Accountants in London.

3. The purpose of my affidavit is: 1) to establish that SBC is committed from the highest levels of our company to open our local exchange networks in compliance with the 1996 Act and thus facilitate market entry by other local service providers; 2) to explain the extraordinary measures SBC actually has undertaken to open its local networks, including some measures not even required by the Act; 3) to describe the resources we have deployed on an expedited basis to effectively serve our local wholesale customers; and, 4) to show that SBC's open market initiatives have enabled our local wholesale customers to avail themselves of our resold telecommunications services, unbundled network elements and interconnection to provide service to their end user customers representing more than one million access

lines in our operating areas. My testimony in these areas is further supported by the detailed information set forth in various attachments, which were prepared at my direction by employees in my organization.

## **II. SBC'S COMMITMENT TO OPEN ITS LOCAL NETWORKS**

4. SBC is committed from the highest levels of the company to open its local networks to enable others to enter the local exchange telecommunications markets in which SBC operates. This commitment personally was demonstrated to me the very day the Act was signed into law. We knew in advance that the President of the United States was scheduled to sign the Act on February 8, 1996. Several days before the Act was signed, our Chairman, Ed Whitacre, called all SBC senior managers to attend a meeting on February 8, 1996, in San Antonio, Texas. At the meeting, Mr. Whitacre explained that the day was historic and that we should remember it well because our business would forever change with the President's signature. He emphasized our company was required to open its local networks to firms who desired to enter our markets and that the corporation and its managers from the highest levels should be committed to doing so. He personally charged every manager at that meeting, including me, with the responsibility of complying with the 1996 Act.



5. The seriousness of this effort was reflected in the fact that SBC was the first incumbent LEC to negotiate an interconnection and resale agreement under the 1996 Act. In fact, SBC has entered into over 370 agreements with local service providers in SBC's seven state operating region. The vast majority of these agreements has been entered into after successful, voluntary negotiations. We have only had the need for 26 arbitrations before state commissions after an impasse had been reached during negotiations. Details of these agreements are included in Attachment 1.

6. SBC's corporate commitment to open its local networks also is reflected in our experiences with Pacific Bell shortly after our merger. Due to its large telecommunications business and the actions of the California PUC, California has been a magnet for local service providers from an early date. At the time our merger closed, the large and unexpected volume of local wholesale customer orders had greatly strained Pacific Bell's operating ability to serve local wholesale customers, as reflected in complaints that were filed by these customers before the CPUC concerning ordering and provisioning. Consistent with SBC's dedication to open its local exchange markets and serve local wholesale customers, we committed significant SBC resources to helping Pacific Bell address its operating challenges. The newly merged SBC

organization worked diligently and has substantially resolved most, if not all, of the early operating problems that were being experienced. A more detailed narrative of these experiences is set forth in Attachment 2.

### **III. SBC HAS TAKEN EXTRAORDINARY STEPS TO COMPLY WITH SECTION 251 AND OPEN ITS LOCAL NETWORKS**

7. To date, SBC (including SWBT, Pacific Bell, and Nevada Bell) has spent more than \$1.1 billion to open its networks to local wholesale customers; and by the end of 1998, approximately \$1.5 billion will have been spent. More than 3,300 SBC employees have worked and continue to work to implement Sections 251 and 252 and the interconnection agreements which have been entered into pursuant to the 1996 Act. These implementation efforts address items such as customer service, operations support systems ("OSS"), number portability, interconnection, trunking, physical and virtual collocation arrangements, service ordering, and provisioning and maintenance centers. The success of these efforts is illustrated in Attachment 1.

8. SBC has made extraordinary progress in complying with Sections 251 and 251 and opening its local markets and implementing the local competition requirements of the 1996 Act throughout its seven states. SBC provides local service providers access to the same EASE and StarWriter interfaces used by customer service

representatives of SBC subsidiaries for pre-order and ordering functions. In addition, SBC subsidiaries have gone beyond the requirements of the Act providing additional new OSS interfaces, namely, DataGate and Verigate for pre-order, and EDI and LEX for ordering. SBC planned and implemented these additional interfaces to accommodate local service providers' needs, while also meeting regulatory expectations. To allow local wholesale customers and regulators to confirm the high level of service SBC is providing, we have developed and implemented more than 65 performance measurements covering the different aspects of our interactions with local wholesale customers.

**IV. SBC HAS EXPENDED ENORMOUS RESOURCES TO SERVE LOCAL  
WHOLESALE CUSTOMERS**

**A. Account Teams**

9. Among SBC's first steps after the Act was enacted was establishment of teams to negotiate with companies interested in providing local services. SWBT, for instance, established a Competitive Provider Account Team ("CPAT"), with an Account Manager from the CPAT assigned to each local wholesale customer to act as a liaison throughout the negotiation process, and as an intermediary once agreements are implemented. In addition, for the largest interexchange carriers that were already served by a dedicated account team, we added local service to the

existing account team's responsibilities. The Account Manager generally serves as the primary interface with the local wholesale customer and is responsible for facilitating meetings between the wholesale customer and SWBT technical personnel, providing information to the wholesale customer, and assisting to implement signed agreements.

10. The CPAT is structured to grow as local wholesale activity increases, and SWBT has continually added personnel to accommodate its local wholesale customers' needs.

**B. Operations Support Systems (OSS)**

11. An important initiative has been developing the systems and procedures local wholesale customers use to order local facilities and services from SBC. In order to provide nondiscriminatory access to SBC's OSS, which local wholesale customers now use to place their own local service orders, SBC developed several new facilities and organizations. Since passage of the 1996 Act, SBC has spent more than \$50 million for such activities as acquiring new OSS hardware and increasing processing capacity, enhancing existing systems, and developing new applications. These expenditures are in addition to annual operating costs of more than \$80 million in 1997 to receive and process local wholesale customers' orders and service requests.

12. SBC provides its local wholesale customers access to state-of-the-art OSS capabilities, including the customer's choice of multiple electronic interfaces. Various government officials have acknowledged that the systems SBC has made available to local wholesale customers are models for the industry. More than 220 local wholesale customers have submitted orders via SBC's OSSs for ordering, provisioning, and billing of local exchange services. Since passage of the 1996 Act, SBC has processed more than 2.2 million service orders in its seven-state region. In June 1998 alone, SBC processed through its OSSs more than 173,000 competitive local exchange carrier (CLEC) orders in its seven states. SBC is, in fact, offering pre-order, and ordering interfaces that are used by SBC's own retail representatives. In addition, SBC has created new interfaces for the exclusive use of local wholesale customers so not only do the local wholesale customers have the same systems used by SBC retail service representatives, they have an even greater variety of interfaces than SBC's own retail employees. More detail concerning these efforts is included in Attachment 3.

**C. SBC Local Wholesale Customer Support Centers**

13. SBC has also ensured that local wholesale customers have access to ample numbers of highly trained personnel for transactions where human involvement is needed

or desired by local service providers. A total of 1,818 Local Wholesale employees support the operational needs of the CLEC's across the seven states. In its five-state region, SWBT has established Local Service Centers ("LSC") staffed by 661 employees in Dallas and Fort Worth to provide CLECs with a single point of contact for ordering, provisioning, and billing related to interconnection, UNEs, and resale. The LSC is available to local wholesale customers when they choose not to use wholly mechanized processes, or for complex transactions that are performed manually for SWBT retail operations and local wholesale customers alike.

14. Pacific Bell similarly established Facilities Local Service Centers ("FLSC"), staffed by 162 employees in San Francisco and Anaheim to provide facilities-based local service providers in California with a single point of contact for ordering, provisioning, and billing related to interconnection and UNEs. The FLSC serves facilities-based local wholesale customers when they choose not to use wholly mechanized processes, or for complex transactions that are performed manually for Pacific Bell retail operations and local service providers alike. There is also a separate LSC in Nevada to serve local wholesale customers in that state.

15. Pacific Bell's Resale Local Services Centers ("RLSC"), also located in San Francisco and Anaheim and also

used by Nevada Bell, serves as a single point of contact for pre-ordering, ordering, and billing of resold services. The RLSC has hired and trained a staff of almost 800 employees and incurred operating expenses of more than \$40 million in 1997, all to process local wholesale customers' resale service requests. Like the FLSC, the RLSC has ample capacity to serve local wholesale customers. Since May 1997, Pacific Bell has tripled the RLSC's capacity to over 5,400 local wholesale customer requests per day, which compares to actual demand of approximately 2,000 orders per day in February 1998. The RLSC processed more than 476,000 service requests on behalf of 46 local wholesale customers in 1997 and over 250,000 orders between January and June 1998.

16. To handle provisioning, testing, maintenance, and repair functions for all interconnection facilities, resold services, and UNEs provided to local wholesale customers, SWBT, Pacific Bell and Nevada Bell have established Local Operations Centers ("LOCs") in Fort Worth, Texas and in Pasadena, California. For the period of January through May 1998, the SWBT and Pacific Bell LOCs together responded to more than 250,000 calls from local wholesale customers.

**D. Training Offered to Wholesale Customers**

17. SBC's commitment to help local wholesale customers do business with our companies extends even further than the personnel and organizations created to interface with local wholesale customers. SBC has made considerable effort to communicate and develop educational and informational materials for local wholesale customers. We offer a series of workshops and OSS classes to educate local wholesale customer personnel on how to order telecommunications services for resale, unbundled network elements, interconnection and local number portability. More detail on these efforts is included in Attachment 4.

**E. SBC's Responsiveness to Emerging Implementation Issues**

18. The transition from franchised exclusive LECs to multi-provider local marketplaces has not been easy or simple for SBC or for local wholesale customers. But where problems have arisen, SBC has worked to resolve them cooperatively and conscientiously. Indeed, SBC continually strives to improve its procedures to provide better service to its local wholesale customers. SBC has established a team to address and resolve issues raised by our local wholesale customers. The objective of the team is to define and to put into practice procedures that address ongoing escalation requirements for both major and minor



issues that are sure to arise in the evolving telecommunications marketplace.

19. The approach that SWBT believes is the most effective is to offer two avenues for the resolution of problems encountered by our local wholesale customers. One of those avenues is to resolve problems through the Account Manager assigned to each of our local wholesale customers. When a local wholesale customer requests information, the Account Manager is required to respond to the request in a timely fashion. If, however, the Account Manager is unable to provide a response or resolve the matter, a formal internal escalation process is initiated after a specified time frame. The process provides for the matter to be automatically escalated to the next higher level of management.

20. The second avenue is through escalation beyond the normal Account Manager process to the Tier II Technical Support and Customer Action Team. This escalation can occur in one of two ways; the Account Manager may proactively escalate an issue for resolution, or the local wholesale customer may contact the Tier II team directly. This action team has overall responsibility for direct interface with all SWBT internal organizations in order to solve local wholesale customer problems. A "Hotline" will be established to provide access to this Tier II action team 24

hours a day, 7 days a week. Examples are included in Attachment 5.

**F. Performance Measurements**

21. SBC's performance measurements mirror the model set of measurements advocated by the U.S. Department of Justice (DOJ). The DOJ has reviewed SWBT's performance measurements and developed a generic set of performance measurements to which SWBT has agreed. The DOJ has confirmed that these measurements are presently "sufficient, if properly implemented, to satisfy the Department's need for performance measures for evaluating a Section 271 application."<sup>1</sup> Where there are no analogous services in SBC's retail operations to services SBC offers to local wholesale customers, SBC has adopted specific performance standards to ensure service parity. These measurements provide proof that SBC is providing local wholesale customers a meaningful opportunity to compete and is providing items in a non-discriminatory manner. Where the measurements bring a problem area to light, SBC will conduct a root-cause analysis and take corrective actions as needed. Moreover, in response to issues raised by the Texas PUC in its recent Order, SBC will develop and implement additional

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<sup>1</sup>Letter from Donald J. Russell, DOJ, to Liam S. Coonan, SBC at 1 (Mar. 6, 1998).

performance measurements as needed.

**V. LOCAL WHOLESALE CUSTOMERS ARE PROVIDING COMMERCIAL  
ALTERNATIVES TO SBC**

22. SBC management and employees have worked diligently and successfully to comply with the local market opening provisions of the 1996 Act and related federal and state rules by facilitating entry into the local exchange market. These efforts have resulted in SBC offering carriers a meaningful opportunity to compete in our markets. The result of these efforts is that local wholesale customers now serve more than one million local resale and facilities-based lines in SBC's states - more lines than local wholesale customers have gained from any other regional Bell company. This fact demonstrates that SBC has provided local wholesale customers with a meaningful opportunity to compete and that our local markets are indeed open. Attachment 1 provides detailed information on SBC's success in opening its markets and the extent to which local wholesale customers are using products made available by SBC in each of its seven in-region states.

23. The strategy for many local wholesale customers is to target the most profitable "high value" users, usually in densely populated urban/metropolitan areas. The market strategy in this regard is illustrated in Attachment 6. Wholesale customers' success in the local market may be

demonstrated by the number of "high value" customers they are serving, assuming their publicly touted marketing strategy is working. This targeted marketing strategy is designed to allow local wholesale customers to attract a higher percentage of the market share measured in terms of revenue rather than the raw number of lines indicates.

## **VI. CONCLUSION**

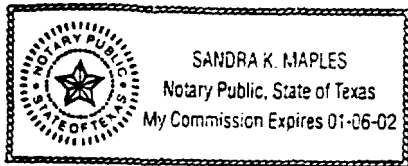
24. SBC has committed massive resources to implementing the Act and opening the local market. Regulatory bodies examining the issue have admitted this fact. The proposed merger with Ameritech will only increase SBC's efforts to open its markets and serve the public interest by combining the experience and efforts of the to-be-merged companies in this regard. SBC's record in opening its networks in the Southwestern Bell, Pacific Bell, and Nevada Bell areas demonstrates SBC's commitment to its obligations under the 1996 Act. That has been the case with our merger with Pacific Telesis and there is no reason to expect it will be any different with Ameritech.

This concludes my affidavit.



Stephen M. Carter

Subscribed and sworn to before me this 20th day of July,  
1998.



Sandra K. Maples  
Notary Public

My Commission expires: 01-06-02

### INDEX OF ATTACHMENTS

Attachment 1	Local Wholesale Customers Successes in SBC Territory
Attachment 2	Pacific Bell Improvements
Attachment 3	Operations Support Systems
Attachment 4	Local Wholesale Customer Education
Attachment 5	Process Improvements Made by SBC
Attachment 6	New Entrants' Market Entry Strategy

Pursuant to 47 C.F.R. §§ 1.743(c), 1.913(c), 5.54(c), the preceding document is a copy of the original signed affidavit, which was filed as an attachment to Exhibit 2 to the Form 490 applying for the Commission's consent to transfer control of Part 22 licenses held by Detroit SMSA Limited Partnership from Ameritech Corporation to SBC Communications Inc. That Form 490 was filed concurrently with this application.

**LOCAL WHOLESALE CUSTOMER SUCCESSES IN SBC TERRITORY**

The following chart shows how local wholesale customers have been successful in obtaining local resale and facilities-based lines in SBC's seven states, as of the end of June 1998:

		<u>Resale Total</u>	<u>Resale Residential</u>	<u>Resale Business</u>	<u>Resale Priv. Coin</u>	<u>Facilities Based Lines</u>	<u>Total Lines</u>
a)	California:	255,011	130,332	115,778	8,901	261,051	516,062
b)	Texas:	284,243	195,089	77,649	11,505	59,082	343,325
c)	Kansas:	50,265	22,971	27,287	7	2,053	52,318
d)	Oklahoma:	21,428	17,019	4,382	27	17,446	38,874
e)	Arkansas:	14,588	13,211	1,377	0	11,147	25,735
f)	Missouri:	22,519	13,935	8,532	52	4,094	26,613
g)	Nevada:	1,908	338	1,570	0	13,048	14,956
<b>RESOLD LINES:</b>		<b>649,962</b>	<b>392,895</b>	<b>236,575</b>	<b>20,492</b>		
<b>FACIL.-BASED LINES:</b>						<b>367,921</b>	
<b>SBC TOTAL CLEC LINES:</b>							<b>1,017,883</b>



The following chart shows the number of interconnection agreements that have been signed and approved in each of SBC's seven states:

	<u>Signed Agreements</u>	<u>PUC Approved Agreements</u>	<u>CLECs with Approved Certifications</u>
Texas	146	118	164
Missouri	45	27	41
Kansas	44	29	55
Arkansas	39	30	23
Oklahoma	44	18	40
California	40	32	117
Nevada	<u>16</u>	<u>13</u>	<u>60</u>
TOTAL	374	267	500

SBC has provisioned more than 353,100 interconnection trunks to local wholesale customers. This represents the call carrying capacity on the local service provider networks for 3.5 million lines. Although disputes remain over the treatments of Internet traffic, SBC has exchanged more than 14 billion minutes of local and Internet traffic with local wholesale customers demonstrating that SBC has interconnected its networks with local service provider